

## **Parnell: Market led Flint Hills to shut down production at refinery**

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JUNEAU — Gov. Sean Parnell said he believes Flint Hills shut down its jet fuel and gasoline production because of the market, not the soil and groundwater contamination the refinery cited in its initial announcement.

Speaking with reporters Wednesday, Parnell said he believes overall market forces, such as declining pipeline throughput, were the driving forces in the company's decision to halt refining, not the state's spill cleanup regulations.

"It's an accumulation of the costs of doing business, and to put one reason out there as the reason is not being accurate or truthful, based on what I heard from the company," Parnell said.

Flint Hills' announcement of the closure pinned blame on the cost of mitigating and cleaning up the sulfolane spill left by previous owners.

Parnell said it likely played a role but that the changing market is more likely at blame.

"Business decisions like that are an accumulation of factors and certainly the liability exposure played a role, but they also mentioned other forces," he said. "Those refineries are built when there's a lot of supply and the price is lower. Over time, production declines, the price and cost increases."

Flint Hills spokesman Jeff Cook admitted there were several economic factors involved in the refinery's decision to close but said it was a combination of those factors as well as DEC's unfair enforcement that ultimately brought about the decision.

In addition to the sulfolane requirements, Cook blamed state royalty oil premiums that he said unfairly target in-state refineries as well as the cost of re-injecting oil into the pipeline and the overall cost of Alaskan crude oil compared to other areas.

Cook said the state was penalizing in-state refineries by forcing them to pay more than \$150 million more for royalty in-kind oil from Alaska than out-of-state refineries were forced to pay.

Cook went on to say that the state Department of Environmental Conservation, which has been overseeing the cleanup, hasn't been a willing party to negotiate.

When asked if there is some sort of change, the administration should make to royalty oil or environmental regulations to allow the plant to allow the refinery to reopen, Parnell stood by his administration's handling of the environmental clean up.

"My direction had come to this: ensuring that (the state's officials) were being reasonable in their legal strategy but protecting the public interest," he said.

When asked what, if anything, needs to change to allow the plant to reopen, Parnell said the market.

"More production," he said. "More production makes it more possible and more economic to have a plant like this. That's the bottom line."

Staff writer Weston Morrow contributed to this report.